



MAYOR AND COUNCIL AGENDA

NO. 8 DEPT.: Community Planning and Development Services DATE PREPARED: 06/10/05
STAFF CONTACT: Deane Mellander, Planner III FOR MEETING OF: 06/20/05

SUBJECT: Discussion of Impact Fees

RECOMMENDATION:

1. Instruct staff to prepare an analysis of impact fees, including alternatives, to insure new development bears the cost of the necessary support facilities.
2. In the alternative, instruct staff to take no action.

DISCUSSION:

Many cities have some requirement to offset the impact of new construction. The city of Rockville currently uses different methods of exactions, depending on the type of service. Exactions are conditions or financial obligations imposed on developers to aid the local government in providing public services. One exaction currently being used is to condition approval of a development on the agreement to construct necessary facilities within the proposed development. New developments are also required, if needed, to connect to existing systems outside their development if existing connections do not reach the proposed development. If capacity or maintenance problems are projected due to new development, the development will also be required to upgrade the city facilities as a condition of approval. This method of ensuring the construction of new facilities is applied for water and sewer services, stormwater management, and connections to public transportation (i.e. sidewalks and bus stops). Conditions to provide public lands for park space are also common in Rockville.

The second procedure to offset new development burdens is to benefit from the county's impact tax. With regard to transportation facilities, the city receives a percentage of the county impact tax (based on dwelling type or square foot gross floor area) prior to building permit approval. There are requirements to mitigate impact and opportunities for credit for development construction.

A third procedure in Rockville is to collect money. Inspection service fees are used to maintain and meet the needs of the city-wide facilities for water and sewer. The city also imposes an art fee, determined by a formula) for public art in private development. Forestry fees are also collected. Other types of facilities do not have any method to collect revenue or to require construction of facilities other than county (library) and city (trash) taxes.

Other jurisdictions use various methods to collect money or ensure required construction to offset the impact on facilities from new construction. For example, excise taxes are taxes paid before the

issuance of a building permit and can be designated to fund infrastructure improvements. The city's use of excise taxes would require an amendment of state statutes. In addition to the exactions applied by the city of Rockville, other communities require development agreements to be negotiated on a case-by-case basis. The terms of these agreements can vary, depending on the needs of the community at the time of the application for new development. Finally, impact fees are another option to provide for development facility impact.

Impact fees are one-time payments used to construct facility improvements needed to accommodate new development. An impact fee represents new growth's fair share of capital facility needs and should be used to benefit the new development charged. Fees should not be used to remedy existing deficiencies but to charge for an equal level of service to new development as is provided to existing development.

Currently, the city collects exactions to offset the burden on infrastructure from new developments. Impact fees are an alternative approach. There are benefits and burdens to each. While exactions provide flexibility to determine the appropriate amount of service costs on a project-by-project basis, impact fees are inflexible. On the other hand, once established, impact fees require only a yearly review to ensure costs are adequate. As a result, impact fees can speed up the development approval process, and ensure that developers know, prior to discussions with staff, the cost for additional infrastructure when planning new developments.

In order to support the imposition of impact fees, any charge to offset public infrastructure impacts must be *proportional* to the impacts' costs. Additionally, there must be a *rational nexus* between the development charges and the services provided. To assure that these two measures are met, and that the impact fees imposed will withstand any legal challenge, a detailed study must be undergone to document the calculations, and considerations the city evaluates.

The attached report discusses considerations and methodologies in determining the amount and means to impose impact fees. In particular, the report addresses the process to determine applicable impact fee amounts. The steps are as follows:

1. **Establish service area for each fee.** The need for a substantial nexus requires communities to evaluate collection and expenditure zones for facilities that have distinct geographic service areas. Service areas may vary depending on the service areas provided. Libraries, for example, would likely have a different service area from water services.
2. **Determine service units.** The particular service for which the city may charge an impact fee must be determined for each type of service to be charged. The impact fee imposed can offset the cost of a range of services for a particular type of facility. For example, with regard to libraries, books and materials, building square footage, as well as library land costs may be lumped together.
3. **Calculate cost per service unit.** There are three accepted methodologies to calculate fees. Each method should be evaluated to determine the maximum supportable impact fee amount, based on fiscal and policy perspectives. In its simplest terms, the process of calculating impact fees involves only two steps: 1) determining the cost of development-related capital improvement; and 2) allocating those costs equitably to various types of developments. The first stage can be based either on past, present, or future capacity and needs. The past, or buy-in, methodology is suited for oversized facilities. New growth may then "buy-into" the remaining capacity. Present, incremental expansion, methodology bases needed expansion on current levels of service (LOS) and the cost per level of service. Finally, plan-based,

methodology bases its calculations on future projects in capital improvement program that will add capacity.

4. **Calculate net cost per service unit.** Net cost is determined by subtracting out credits per service unit from the individual cost per service unit (determined in stage 3). To avoid double payment for facilities, certain credits should be applied to the amount of fees collected. A principal payment credit is given to cover the residential share of capacity projects the city funded using General Obligation bonds, property taxes, or any other source of revenue to fund the projects. The credit is deducted from the impact fee amount, thus avoiding double payment by property owners. A site specific credit may be given for impact fees; however the specific credits should be addressed in the ordinance creating impact fees. In the alternative to credits, a city may offer reimbursements to developers for site specific improvements. In such cases, a reimbursement agreement would be warranted.
5. **Develop potential fees.** Impact fees must be based on logical indicators. To support the relationship to needed facilities, detailed calculations must exist and be capable of being reconstructed.

In addition to the above process, other considerations must be made prior to the adoption of an impact fee ordinance. For example, necessary cost adjustments for inflation can be made as part of the recommended annual evaluation and update of impact fees. A set index rate can be applied against the calculated impact fee. Collection policies must be established to ensure that fees are collected at a time which is predictable and known and relevant. Finally, a review body should be designated for the review of impact fees.

If staff is instructed to go forward with impact fee implementation, a consultant will be required to assist in the studies needed to support the fees. Many communities first conduct a study to show that impact fees are needed in that community by demonstrating that public costs of residential development exceed local tax revenues. In addition, studies will be needed to demonstrate 1) proportionality of the cost to the development and 2) nexus of development and the fees charged. The amount of information already available (when that is determined) will assist staff to determine the amount of time it would take to calculate appropriate fees. Again, each fee should be evaluated using each calculation methodology to determine the maximum supportable impact fee amount.

Impact fees, like other planning topics, do not act in solitude. Zoning, APFO, and taxes all affect infrastructure costs and needs. The undergoing zoning revisions may affect density and development and thereby change expected impacts on infrastructure. Currently, the city imposes conditions, and acquires some designated funds to ensure that development provides necessary provisions to offset their impact on public facilities. There are additional options, such as amending state statute to allow for excise taxes, or requiring more formalized development agreements that the city may consider.

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LIST OF ATTACHMENTS:

Report to Mayor and Council

**REPORT TO THE MAYOR AND
COUNCIL OF THE CITY OF
ROCKVILLE, MD**

**CONSIDERATIONS AND METHODOLOGIES
FOR IMPACT FEE IMPLEMENTATION**

**Created by:
Community Planning and Development Services**

June 20, 2005

IMPACT FEES

DISCUSSION:

Impact fees are one-time payments used to construct facility improvements needed to accommodate new development. An impact fee represents new growth's fair share of capital facility needs. Fees should not be used to remedy existing deficiencies but to charge for an equal level of service to new development as is provided to existing development.

EXECUTIVE SUMMARY:

The following document discusses the considerations and methodologies when determining what impact fees to apply. The first section sets out a process to use in determining applicable impact fee amounts and recent trends and arguments supporting their imposition. The second section explains the three theories in calculating fees, based on either past (buy-in), present (incremental expansion), or future (plan-based) needs. In the final section, the types of credits are discussed along with additional considerations that local governments need to review in imposing fees.

DETERMINING APPLICABLE IMPACT FEES:

There are two key tests to apply when imposing impact fees. First, any charge to offset public infrastructure impacts must be *proportional* to the impacts cost; in other words, the fee charged may not be more than the cost of the service provided. The demand for facilities should be calculated in measurable attributes of development and supported by documentation. Second, any development charged for public infrastructure must receive a benefit from those infrastructure improvements. There must be a *rational nexus* between the development charges and the services provided. The new development, however, may or may not receive these benefits exclusively.

The following five step process may aid in determining applicable impact fees.

1. **Establish service area for each fee.** - The reasonableness of impact fees is determined, in part, by their relationship to the local government's burden to provide necessary public facilities. The need to show a substantial benefit requires communities to evaluate collection and expenditure zones for public facilities that have distinct geographic service areas. These zones will enable the city to show that developments paying fees are benefiting from the provision of additional capital improvements in their service area.
2. **Determine service units.** - The service unit is the particular service(s) for which the city may charge an impact fee. For example, with regards to libraries, the cost for materials, buildings, and land may be combined to determine the overall service for which to charge an impact fee. Other examples of services units include acres per

unit of development, water demand per unit of development, peak hour trips per unit of development, etc.

3. **Calculate cost per service unit.** – The individual methods to determine cost are discussed below. The cost per service unit should be studied to ensure a nexus exists between the facilities and demand for new or expanded facilities. Fee calculations should be reviewed on a regular basis to ensure that the fees continue to be valid.
4. **Calculate net cost per service unit.** – Net cost is determined by subtracting out credits per service unit from the individual cost per service unit. Credit types are discussed below.
5. **Develop potential fees.** – Impact fees must be based on logical indicators. Traffic-signal impact fees based on population or water impact fees based on parcel size (regardless of use) may indicate invalid fees. To support the relationship to needed facilities, detailed calculations must exist and be capable of being reconstructed. Impact fees collected and simply deposited into the general fund or used for operations are questionable. Impact fees that are not tied to a capital improvement plan or capital projects list or to a master facility plan may not be valid. In addition, impact fees that are used for projects that deal with correcting existing problems are not valid. That is not to say that a project may not benefit both existing and new residents.

ALLOWABLE FEES

The Maryland Attorney General's office recently (November 18, 2004) issued an opinion validating municipal authority to impose impact fees. Particular types of fees, however, may not be permitted. In the AG opinion, the question arose whether there would be a nexus between the new development and the service when revenue was to be used to fund additional fire and police services; especially since the fire protection contribution for a volunteer department was voluntary. The city attorney's office will conduct further legal analysis on impact fees, if the Mayor and Council decide to have additional discussion on this issue.

CONSIDERATIONS PRIOR TO IMPOSING IMPACT FEES

To support the imposition of impact fees, many jurisdictions undergo studies to show that public costs of residential development exceed local tax revenues derived from the development. "New local public costs associated with the development are calculated based on school space and teachers required to educate the additional children, roads required to carry the increased traffic, and possibly other publicly provided services, like police and fire protection, needed for the residential development. The sum of these costs is then compared to the local tax revenues generated from the new residential development. Sometimes only property tax revenues are considered. If the costs exceed the revenues, then a shortfall occurs and impact fees are justified to close the gap." Walden, Michael; A Primer on Residential Impact Fees.

Opponents to impact fees often argue two points. First, opponents dispute the justification for impact fees by arguing that commercial development will follow residential development. Local taxes collected from new businesses would aid in funding the additional services needed. Supporters often counter with the argument that commercial development can lag behind residential development for an indeterminate amount of time. The second argument is that impact fees will raise the price of housing. "When impact fees are imposed, prices of new homes rise, sometimes by more than the dollar amount of the fee." There is even some evidence that existing home prices rise. How much prices rise depends on how local public services funded by the fees are valued. The greater the value placed on those services, the greater the rise in home prices. Walden, Michael; A Primer on Residential Impact Fees.

Philosophically, impact fees differ from the traditional means of public financing. While tax support is not dependent on how much the household directly uses the services; impact fees try to more directly establish a link between the use and payment of public services. To ensure support of the fees, these two philosophies should be addressed in initial analyses of whether to impose impact fees.

FEE METHODOLOGIES

There are three methods used to calculate impact fees. These can be thought of as evaluating the past, present, and future capacity of capital facilities and assets. Each methodology should be evaluated to determine the maximum supportable impact fee amount, based on fiscal and policy perspectives. Each method has advantages and disadvantages in a particular situation, though to some extent they are interchangeable, because they all allocate facility costs in proportion to the needs created by development.

Reduced to its simplest terms, the process of calculating impact fees involves only two steps: 1) determining the cost of development-related capital improvements, and 2) allocating those costs equitably to various types of development. In practice, though, the calculation of impact fees can become quite complicated because of the many variables involved in defining the relationship between development and the need for facilities.

Prior to calculating fees, the city should determine the units of development to which calculations will be applied. Again, due to the required nexus, impact fees can only be applied to those types of developments which are projected to use the service. If the fee is designed to pay for added services, it is often structured to apply differently to different sized structures, thereby assuming a standard number of people to whom the service will be rendered. The fee may be based on different square footages or dwelling types. Again, if different fees are assessed, the question of whether to impose additional fees when a building adds square footage should be considered.

It is common to find impact fees assessed on the unit type such as:

- a. Residential
 - i. Single Family
 - ii. Townhouse
 - iii. Multi-Family

- b. Nonresidential (divided out by square footage and/or type)
 - i. Shopping center
 - ii. General office
 - iii. Business park
 - iv. Light Industrial
 - v. Warehousing
 - vi. Manufacturing

The various methodologies for calculating a fee are described below. Most of the following is taken from an Impact Fee Study for Fayetteville conducted by Duncan and Associates in 2004.

1. The **buy-in methodology** (past) is best suited for facilities that were oversized in anticipation of new growth and have available capacity. New growth “buys-in” to the facility through the impact fee and pays the local government back for over-sizing the facility. To support the use of this method, it is best to demonstrate that the facility, when planned, was deliberately oversized to provide for future growth.

Under this methodology it is important to ensure that additional capacity remains. The current inventory for the service is determined. When compared with the LOS standard accepted by the city for the service, remaining capacity is calculated. Capital costs can be based on any recent construction or additions.

2. Impact fees calculated using the **incremental expansion methodology** (present) are based on existing LOS. The assumption is that the existing LOS will be extended to new growth. This method documents current factors and is best suited for public facilities that will be expanded incrementally in the future. Because new development will provide front-end funding of infrastructure, there is a potential for double payment of capital costs due to future principal payments on existing debt for public facilities (see principal payment credits below). A credit is not necessary for interest payments if interest costs are not included in the impact fees.

There are two particular types of expansion methodologies.

- a. **Capacity-Based Impact Fee Calculation.** This method can be used only where the capacity of a facility or system is known, and the amount of capacity used by a particular type and quantity of development can be measured or estimated. This method calculates a *rate*, or cost per unit of capacity based on the relationship between total cost and total capacity. It can be applied to any type or amount of development, provided the capacity demand created by that development can be estimated and the facility has adequate capacity available to serve the development. Since the fee calculation does not depend on the type or quantity of development to be served, this method is flexible with respect to changing development plans. Under this method, the cost of unused capacity is not allocated to development. Unused capacity would not be covered by impact fees if it is

not absorbed by development. Capacity-based fees are most commonly used for water and wastewater systems. The following formulas are used:

Cost per unit of service = facility cost / facility capacity

Fee = cost per unit of service X amount of service needed by the project

To produce a schedule of impact fees based on some standardized unit of development (dwelling units or square footage) = impact fee rate X amount of service needed by those units

- b. **Standard-based Impact Fee Calculation.** The standard-based method is related to the capacity-based approach in the sense that it is based on a rate, or cost per unit of service. The difference is that with this method, costs are defined from the outset on a generic unit-cost basis and then applied to development according to a standard that sets the amount of service or capacity to be provided for each unit of development. The standard based method is useful where facility needs are defined directly by a service standard, and where unit costs can be determined without reference to the total size or capacity of a facility or system.

For example, parks fit that description. It is common for cities to establish a service standard for parks in terms of acres per thousand residents. In addition, the cost per acre for neighborhood parks can usually be estimated without knowing the size of a particular park or the total acreage of parks in the system. This approach is also useful for facilities such as libraries, where it is possible to estimate a generic cost per square foot before a building is actually designed. One advantage of the standard-based method is that a fee can be established without committing to a particular size of facility, and facility size can be adjusted based on the amount of development that actually occurs.

3. The **plan-based methodology** (future) uses projects in the capital improvement program (CIP) that will add capacity. If a plan-based approach is used to derive impact fees, the credit evaluations should focus on future dedicated revenues that will fund growth related capital improvements. The plan based method allocates costs to a specified set of improvements to a specified set of developments. It is most useful when actual service usage is difficult to measure or capacity cannot always be matched closely to demand, such as roads, or where service does not drive the need for added facilities, such as fire stations.

Cost per unit of demand = total cost of relevant facilities / total demand (projected population)

Cost per unit of development = cost per unit of demand X amount of demand per unit of development (e.g. dwelling units or square feet of building area)

For example, with regard to a park plan, the total cost of all improvements is calculated. The total cost is then divided by the projected population in the year the project is proposed to be completed to determine the cost per person. From there, the cost per person is multiplied by the number of persons per household to determine the per unit development impact fee.

This method implicitly assumes that the entire service capacity of the specified facilities will be absorbed by the planned development, or that any excess capacity is unavoidably related to serving that development. For example, it may be necessary to widen a street from two lanes to four lanes to serve planned development, but that development may not use all of the added capacity. Assuming the improvements in question are needed only to serve the new development paying the fees, it is legitimate to recover the full cost of the improvements through impact fees.

When basing fees on a plan, the major alternative methodologies for calculating impact fees are the “improvements-driven” and “consumption-based” approaches.

- a. The **improvements-driven approach** depends on accurate planning and forecasting. For example, the fees will be accurate only if the forecasted increase in traffic actually necessitates all of the improvements identified in the transportation master plan. If many of the planned improvements will provide excess capacity that will be available to serve additional development beyond the planning horizon on which the fees are based, the fees may be too high.

Cost per unit of demand = cost of improvements over fixed period / number of new service units projected to be generated within that time.

- b. The **consumption-based approach** does not depend on knowing in advance what improvements will be made or what type or density of development will occur. The consumption-based model simply charges a new development the cost of replacing the capacity that it consumes on the major roadway system. That is, for every service unit of traffic (e.g., mile of vehicle travel) generated by the development, the road impact fee charges the net cost to construct an additional service unit of capacity.

The consumption-based system can be based on a transportation plan, but the total cost of the plan does not affect the amount of the fee, which is based on the unit cost of creating new capacity.

The major drawback of the consumption-based system is that it generally underestimates the full cost of growth. Since travel is never evenly distributed throughout a roadway system, actual roadway systems require more than one unit of capacity for every unit of demand in order for the system to function at an acceptable level of service. Suppose, for example, that the city completes a

major arterial widening project. The completed arterial is likely to have a significant amount of excess capacity for some period of time. If the entire system has just enough capacity to accommodate all of the vehicle-miles of travel, then the excess capacity on this segment must be balanced by another segment being over-capacity. Clearly, roadway systems in the real world need more total aggregate capacity than the total aggregate demand, because the traffic does not always precisely match the available capacity. Consequently, the standard consumption-based model generally underestimates the full cost of growth. The consumption-based system is, however, a conservative, legally sound and relatively simple approach to the calculation of road impact fees.

CREDITS

Step four of the five step process set out in this paper is to determine the net cost. Net cost is calculated by subtracting out any credits from the individual cost of services. The issues in structuring credits should be addressed in the impact fee ordinance. Important to consider is whether the developer should be reimbursed directly from the funds collected from all developments or whether the impact fees assessed to the developer's project should be reduced. If the fee is to be reduced, what happens when the credit exceeds the fees that would be due from the development project? In addition, to what extent should credits be given for past contributions for development projects that have not yet been completed?

Particular kinds of credits include the following:

1. To avoid double payment for facilities, a **principal payment credit** should be given for the residential share of capacity projects the city has funded using General Obligation (G.O.) bonds. New residential units that pay impact fees will also contribute to future principal payments through property taxes. A credit is only necessary for principal payments because interest costs are not added to the impact fees. The credit is deducted from the impact fee amount, thus avoiding double payment.

Any type of revenue should be credited in the calculation of impact fees. For example, in the case of road impact, credit should be calculated for the state and federal improvements funding as well as any sales tax revenues to be used for expanding road capacity.

2. A **site-specific credit** for system improvements may be included in the impact fee calculations. Project improvements normally required as part of the development approval process are generally not eligible for credits against impact fees. Specific policies and procedures related to site-specific credits for system improvements should be addressed in the ordinance that establishes impact fees. However, the general concept is that developers may be eligible for site-specific credits or reimbursements only if they provide system improvements that have been included in the impact fee calculation schedule.

Credits may also be given to developers who provide infrastructure which substantially benefits the public but is not required for their own project. Prior to granting such credit it is important that the project be properly proposed and reviewed. The city must choose to accept the project as creditable. Credits should not be guaranteed without Council approval. Additional rules may be applied on such credits. For example, that credits only be used to offset impact fees of the same type as the original project which generated the credits, i.e., streets, water, or wastewater. In addition, credits may be made to be freely traded or otherwise exchanged between private parties. An expiration date should also be applied.

In the alternative to credits, a city may offer reimbursements to developers for site specific improvements. In such cases, a reimbursement agreement would be warranted. The reimbursement agreement should be limited to a payback period and the city should not pay interest on the outstanding balance. The developer should provide sufficient documentation of the actual cost incurred for the system improvement. The city should only agree to pay the lesser of the actual construction cost or the estimated cost used in the impact fee analysis. If the city pays more than the cost used in the fee analysis, there will be insufficient fee revenue. Reimbursement agreements should only obligate the city to reimburse developers annually according to actual fee collections from the benefiting area.

ADDITIONAL ISSUES TO CONSIDER IN IMPLEMENTING IMPACT FEES

If impact fees are enacted on new residential construction, the following questions should be addressed to insure citizens have an understanding of the logic behind the fees.

1. **Inflation** - Necessary cost adjustments can be made as part of the recommended annual evaluation and update of impact fees. One approach is to adjust for inflation in construction costs by means of an index like the one published by Engineering News Record (ENR). This index can be applied against the calculated impact fee. If cost estimates change significantly the city should redo the fee calculations.
2. **Collection** - Fees should be collected at a time which is known and predictable and when relevant to the initial use of services. Each fee is legally separate from the others. A single fee may be collected at a time. Monies collected for different types of impact fees should be deposited in separate accounts. When the monies are needed they should be transferred into the appropriate capital account.
3. **Appeals** - A review body (existing or newly developed) should be designated for the review of impact fees. Appeals and possible refunds would be considered. Refunds of impact fees may be due for the following reasons: City's failure to use the funds; the cancellation of construction of a project after the payment of fees but prior to commencement of construction; or an error in calculation by the City.

APPENDIX A

An example of different impact fee assessments is shown in the following table of maximum supportable impact fees, prepared for Talbot County but Tischler & Associates:

Talbot County, Maryland (Outside of Easton)

	Library	Parks & Recreation	Public School	Community College	General Government	Trans- portation	TOTAL	
<u>Residential</u>	<i>Per Housing Unit</i>							
	Single Family Detached	\$420	\$815	\$2,285	\$89	\$835	\$688	\$5,153
	Other Residential	\$322	\$625	\$1,601	\$68	\$655	\$474	\$3,745
<u>Nonresidential</u>	<i>Per Thousand Square Feet of Floor Area</i>							
	Com / Shop Ctr 50,000 SF or less				\$360	\$2,997		\$3,357
	Com / Shop Ctr 50,001-100,000 SF				\$315	\$2,623		\$2,938
	Com / Shop Ctr 100,001-200,000 SF				\$279	\$2,271		\$2,550
	Com / Shop Ctr over 200,000 SF				\$232	\$1,948		\$2,200
	Office / Inst 25,000 SF or less				\$509	\$1,509		\$2,018
	Office / Inst 25,001-50,000 SF				\$477	\$1,222		\$1,699
	Office / Inst 50,001-100,000 SF				\$449	\$1,042		\$1,491
	Office / Inst over 100,000 SF				\$422	\$888		\$1,310
	Business Park				\$398	\$849		\$1,247
	Light Industrial				\$291	\$464		\$755
	Manufacturing				\$229	\$254		\$483
	Warehousing				\$161	\$330		\$491

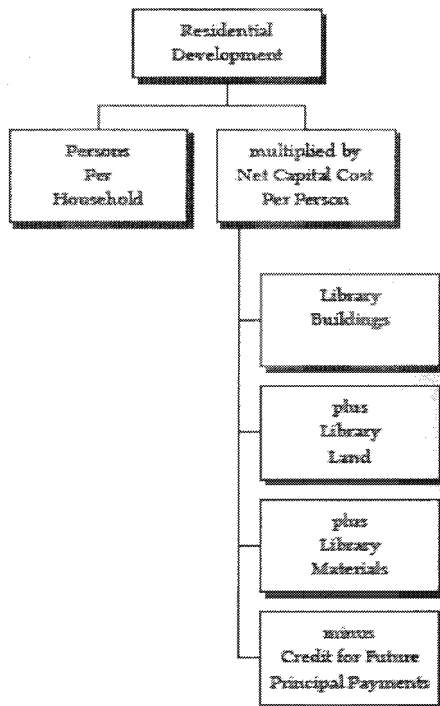
* SFD includes Mobile Homes.

The following chart is an example of a buy-in methodology calculation from Talbot County.

Figure 18. Cost of Elementary School Projects

<i>Elementary School</i>	<i>School Year</i>	<i>Additional Capacity</i>	<i>County Cost</i>
<i>Elementary Schools</i>	<i>Project Improved</i>	<i>(SF)</i>	<i>Student Spaces</i>
White Marsh ES*	1997	3,600	76
White Marsh ES**	2001	1,200	22
Chapel District ES**	2001	2,400	44
Tilghman ES*	2003	3,600	75
		10,800	216
<i>* Adjusted based on County share of total cost.</i>			\$1,563,600
<i>** 100% County funded.</i>			
TOTAL		\$1,563,600	
Additional Student Spaces Added		216	
County cost per student space		\$7,239	

The incremental expansion method was used in calculating Talbot County's library impact fee. The following is the methodology chart for this calculation:



The chart demonstrates that the LOS for each service (land, collection materials, and buildings) was included in the calculation. Finally, the cost of service was credited by the debt service credit to determine the maximum supportable impact fee.

A final calculation table is provided below calculated under the incremental expansion methodology.

Figure 6. Library Impact Fee

	<i>Standards</i>	
	<i>Talbot County (outside of Easton)</i>	<i>Town of Easton</i>
<i>Persons Per Household</i>		
Single Family Detached*	2.40	2.46
Other Residential	1.84	1.85
<i>Level Of Service</i>		
Building Cost Per Person	\$108	\$108
Land Cost Per Person	\$28	\$28
Collection Cost Per Person	\$43	\$43
Consultant Cost Per Person	\$5	\$5
Debt Service Credit Per Person	(\$9)	(\$9)
Net Capital Cost Per Person	\$175	\$175
<i>Maximum Supportable Impact Fee</i>		
<u>Residential</u>	<u>Per Housing Unit</u>	<u>Per Housing Unit</u>
Single Family Detached*	\$420	\$431
Other Residential	\$322	\$324

* SFD includes Mobile Homes.